

HOUSE BILL 750

C4

8lr0050

By: **Chair, Economic Matters Committee (By Request – Departmental – Insurance Administration, Maryland)**
Introduced and read first time: February 4, 2008
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Notice of Cancellation of Binders or Policies – Certificate of Mail**

3 FOR the purpose of requiring that a certain notice of cancellation of certain binders or
4 policies of insurance be sent by certificate of mail; and generally relating to
5 cancellations of binders or policies of insurance.

6 BY repealing and reenacting, with amendments,
7 Article – Insurance
8 Section 12–106
9 Annotated Code of Maryland
10 (2003 Replacement Volume and 2007 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article – Insurance**

14 12–106.

15 (a) In this section, “personal insurance” means property insurance or
16 casualty insurance issued to an individual, trust, estate, or similar entity that is
17 intended to insure against loss arising principally from the personal, noncommercial
18 activities of the insured.

19 (b) This section applies only to a binder or policy, other than a renewal
20 policy, of personal insurance, commercial property insurance, and commercial liability
21 insurance.

22 (c) A binder or policy is subject to a 45–day underwriting period beginning
23 on the effective date of coverage.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (d) An insurer may cancel a binder or policy during the underwriting period
2 if the risk does not meet the underwriting standards of the insurer.

3 (e) If applicable, at the time of application or when a binder or policy is
4 issued, an insurer shall provide written notice of its ability to cancel a binder or policy
5 during the underwriting period.

6 (f) (1) Except as provided in paragraph (2) of this subsection, a notice of
7 cancellation under this section shall:

8 (i) be in writing;

9 (ii) have an effective date not less than 15 days after mailing;
10 [and]

11 (iii) state clearly and specifically the insurer's actual reason for
12 the cancellation; **AND**

13 (IV) **BE SENT BY CERTIFICATE OF MAIL.**

14 (2) A notice of cancellation under this section for nonpayment of
15 premium shall:

16 (i) be in writing;

17 (ii) have an effective date of not less than 10 days after mailing;

18 (iii) state the insurer's intent to cancel for nonpayment of
19 premium; and

20 (iv) be sent by certificate of mail.

21 (g) A binder or other contract for temporary insurance:

22 (1) may be made orally or in writing; and

23 (2) except as superseded by the clear and express terms of the binder,
24 is considered to include:

25 (i) all the usual terms of the policy as to which the binder was
26 given; and

27 (ii) the applicable endorsements designated in the binder.

28 (h) A binder is no longer valid after the policy as to which it was given is
29 issued.

1 (i) (1) If a binder is given to a consumer borrower to satisfy a lender's
2 requirement that the borrower obtain property insurance or credit loss insurance as a
3 condition of making a loan secured by a first mortgage or first deed of trust on an
4 interest in owner-occupied residential real property, the insurer or its insurance
5 producer shall include in or with the binder:

6 (i) the name and address of the insured consumer borrower;

7 (ii) the name and address of the lender;

8 (iii) a description of the insured residential real property;

9 (iv) a provision that the binder may not be canceled within the
10 term of the binder unless the lender and the insured borrower receive written notice at
11 least 15 days before the cancellation;

12 (v) except in the case of the renewal of a policy after the closing
13 of a loan, a paid receipt for the full amount of the applicable premium; and

14 (vi) the amount of coverage.

15 (2) With respect to a binder given under this subsection, an insurer:

16 (i) if the binder is to be canceled, shall give the lender and the
17 insured consumer borrower at least 15 days' written notice before the cancellation; and

18 (ii) within 45 days after the date the binder was given, shall
19 issue a policy of insurance or provide the required notice of cancellation of the binder.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 October 1, 2008.